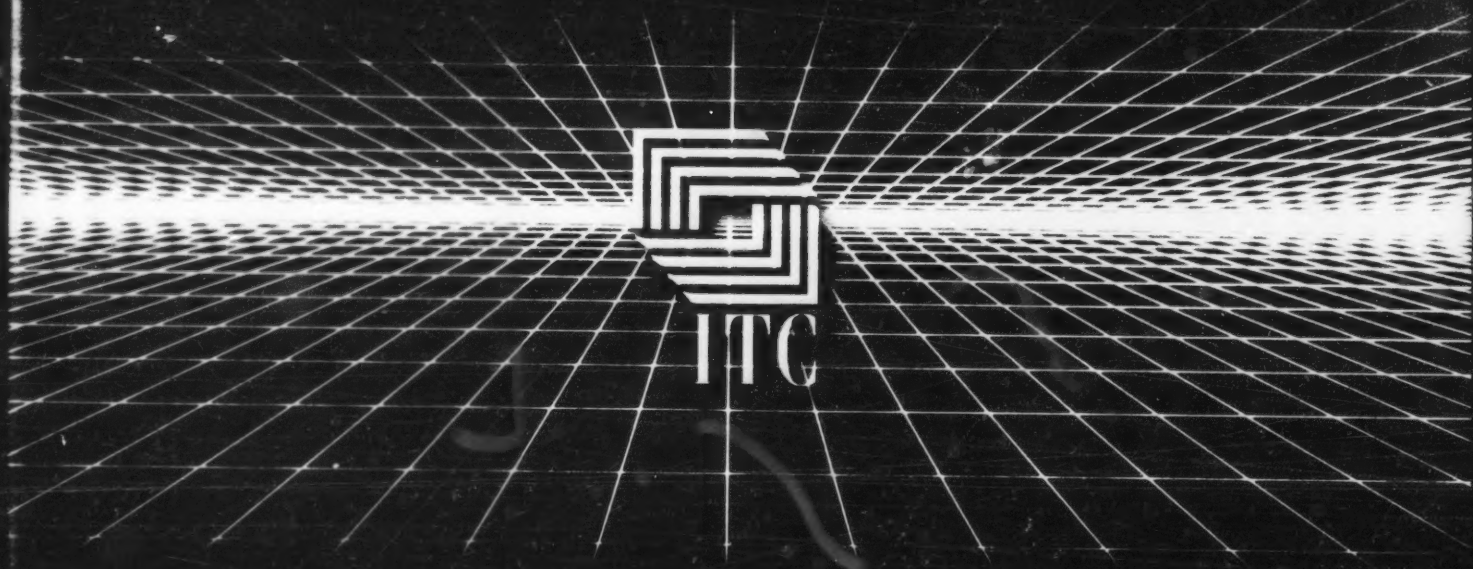
INDUSTRIAL TECHNOLOGY CENTRE

2000-2001 Annual Report



A Special Operating Agency of Manitoba Industry, Trade and Mines

Minister's Letter of Transmittal

June 30, 2001

His Honour
The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg, MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2001.

Respectfully submitted,

MaryAnn Mihychuk, P.Geo.
Minister

102-00384/

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Deputy Minister's Letter of Transmittal

June 30, 2001

Honourable MaryAnn Mihychuk
Minister Responsible for the
Industrial Technology Centre
Industry, Trade and Mines
Room 358 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

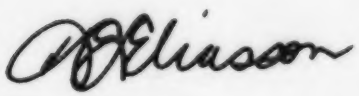
I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2001.

ITC has completed another very successful year as a Special Operating Agency (SOA). ITC has continued to introduce operational improvements that have enabled services to be delivered in a cost-effective, timely manner. Registration to the ISO 9001 Quality System and continuation of ITC's Standards Council of Canada (SCC) accreditation demonstrate staff commitment to quality.

Reliance on Provincial funding support was reduced, while achieving an operating surplus. Investments were made to upgrade existing technologies, and a joint Provincial/Federal investment will enable ITC to establish Manitoba's first Virtual Reality Centre (VRC) in the near future.

On behalf of the Advisory Board, I would like to thank all staff for their hard work and support of ITC. I look forward to working further with all our stakeholders to ensure that ITC's services help improve the competitiveness of Manitoba industry.

Respectfully submitted,



Hugh Eliasson
Deputy Minister and Chairperson of the
Industrial Technology Centre Advisory Board

Message from the Chief Operating Officer

June 30, 2001

Message from the Chief Operating Officer

On behalf of ITC staff, I am pleased to report that ITC continues to achieve success as a Special Operating Agency (SOA).

Staff have identified and implemented the business process changes necessary to improve our services to customers. Our clients expect us to provide the highest quality technical services at the best price possible – challenges that we continue to meet. Our reputation for keeping our commitments has led to a broader customer base. Registration to ISO 9001 is a clear demonstration of our service quality.

Fee for service revenues have again increased, reliance on Provincial support has decreased, and an operating surplus was achieved. These are all key indicators that demonstrate a sound financial performance. Funds from operating surpluses have been reinvested in equipment improvements and staff development. The establishment of the Virtual Reality Centre will position ITC at the forefront of visualization technologies.

ITC's success is made possible by the dedication and work of all staff, the support of our Advisory Board, and the confidence of our customers.

Thanks to everyone for making ITC an organization that we can all be proud of!

Trevor Cornell

Trevor Cornell
Chief Operating Officer

1.1 Background

"ITC has been an excellent resource for the two companies we operate. The staff at ITC have always provided technical and professional services in a timely and cost-effective manner."

Ron Wood,
Red River Air Brake Inc.
and Central Coupler Reclaim Inc.

The Industrial Technology Centre (ITC) was established in 1979, commenced operations as a Special Operating Agency (SOA) on April 1, 1996, and operates under the authority of Industry, Trade and Mines (IT&M).

Under SOA status, ITC operates outside the Consolidated Fund and has the ability to retain revenues, enter into contracts, access loans for capital purchases, increase/decrease staffing levels and invest surplus funds. An Advisory Board, which includes private sector representatives, is chaired by the Deputy Minister of IT&M. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices and financial reporting requirements. Under the SOA model, ITC records its transactions in accordance with Canadian generally accepted accounting principles (GAAP).

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. ITC services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with IT&M to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations. ITC also partners with the National Research Council of Canada (NRC) in delivery of the Industrial Research Assistance Program (IRAP) in Manitoba.

ITC's services are categorized as:
- **Technical Information and Advisory Services**
- **Engineering**
- **Document Examination Services**
- **Industrial Research Assistance Program (IRAP).**

The economic development contribution from the Province is primarily used to support technical information and advice, library services, and infrastructure for testing and product development. These services support SMEs (small and medium-sized enterprises) with limited R&D resources.

1.2 Vision, Mission and Goals

ITC's vision is *"To be recognized as the best resource for solving technical issues for the benefit of Manitoba".*

ITC's mission is *"As a team and in partnership with our customers, we are committed to provide creative, technical solutions for the economic development of Manitoba".*

ITC's goals, essential to fulfillment of its mission, are as follows:

- ***To help our clients anticipate, identify and apply appropriate technologies***
- ***To support and contribute to economic development in Manitoba***
- ***To sustain and enhance client relationships by providing high quality, valued technical services***
- ***To achieve long-term economic viability***
- ***To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.***

1.3 Service Lines

Technical Information and Advisory Services
ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry, entrepreneurs, and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. All ITC's technical staff provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical problems, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance which may not be available in Manitoba.

ITC has a technical library that provides crucial technical information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering, and materials. A wide range of industrial directories, guides and catalogues assist clients in sourcing components, equipment and services. ITC also has access to many worldwide databases, and has a public Internet access terminal for clients to source technical data.

Customers include inventors, entrepreneurs, and companies in most manufacturing sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

Engineering

Mechanical Testing
Mechanical Testing services are categorized as either Standard or Custom, defined as:
Standard Testing: Those tests which may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.
Custom Testing: This category relates to testing for which there may be no defined standard and includes any testing other than *Standard Testing*. In cooperation with the client, staff determine what properties or parameters are to be tested, then identify or develop appropriate procedures to meet requirements. This process usually requires a detailed written proposal to be prepared for the client. Examples include:

- Testing products or materials when no industry standard exists
- Testing components in their service environment
- Vibration analysis
- Noise control engineering and modelling
- Environmental assessments of noise levels using SoundPLAN software.

"We asked the Industrial Technology Centre to conduct an assessment of sound levels associated with our air conditioning plant. The ITC report was a model of excellence – thorough, accurate and timely. It provided the detailed data we needed to move our project forward."

Lenord Alfred,
Canadian Blood Services

Calibration

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, wires, snap gauges, length and height standards and dial gauges; and pressure gauges up to 10,000 psi. The Calibration Laboratory has been in operation since October 1998, in compliance with ISO Guide 25. A Calibration Laboratory Assessment Service (CLAS) accreditation audit took place in October 2000. ITC is awaiting CLAS registration.

Inspection

In early FY 1999/2000, ITC enhanced its inspection capabilities to include fixed (Numerex) and portable (FaroArm) coordinate measurement (CMM). Inspection services include detailed physical inspection of parts and artifacts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part to part comparisons. On-site inspection and measurements can be undertaken using the portable FaroArm.

Product/Process Design and Development

Utilizing state of the art computing technology (SGI 320 hardware, and complex modelling and analytical software), ITC is able to undertake a wide range of design activities. This includes the 3D design of components and complex assemblies, structural analysis and modelling of parts for performance or failure potential. Prototypes are manufactured in ITC's machine shop, or if required, in cooperation with local machine shops.

The market for Engineering services is primarily manufacturing companies in Manitoba. Standards Council of Canada accreditation and rapid turnaround times are distinct competitive advantages.

Document Examination Services

Document Examination Services provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada, the U.S. and overseas. ITC is the sole commercial Canadian laboratory providing these services.

Industrial Research Assistance Program (IRAP)

ITC participates in the National Research Council's (NRC's) Industrial Research Assistance Program (IRAP) via a contribution agreement. The IRAP relationship has been in place for 19 years, and together, ITC and IRAP provide technical information and transfer appropriate technologies to Manitoba industry.

IRAP focuses on providing high quality technical advice and assistance to SMEs and where appropriate may help with funding. For several decades, IRAP has been the federal government's primary mechanism for the dissemination and transfer of technology and technical information. It is the strategic mix of advice and funding that contributes to the high level of success of the program.

IRAP is founded on a national network of about 250 Industrial Technology Advisors (ITAs) who provide technical advice and assistance. In Manitoba, seven ITAs are employed by ITC through an annual contribution agreement with NRC.

IRAP services are provided to SMEs throughout Manitoba.

1.4 Human Resources

"We had a problem with a steel alloy with high scrap rates. Your centre was able to identify process parameters that influenced these rates. This alloy now accounts for a third of our business."

R.J. Ptashnik,
Vice President, AMSCO Cast Products

ITC recognizes that staff are its most important asset, and that the key element in ensuring ITC successfully delivers on its mandate is the dedication and expertise of all staff. A corporate culture based upon innovation and service excellence has been created, within which staff are encouraged and supported in undertaking activities which lead to personal growth, promote teamwork and help ITC meet corporate goals. Open communications are fostered and everyone has the opportunity to input into the corporate decision-making process.

Staff have agreed upon a set of values to guide our actions, including:

- Recognizing people as our most important asset
- Expecting honesty, integrity and confidentiality
- Supporting professional growth
- Encouraging innovation
- Open communication
- Respect and kindness.

ITC has an environment where roles and responsibilities are defined, but within which staff are able to exercise judgement to more effectively contribute towards achieving corporate goals.

Initiative is both encouraged and expected – all staff are key to ITC's success.

ITC's ISO 9001 Quality System demonstrates staff commitment and team effort.

The following staff have been awarded the Outstanding Achievement Award for their extra efforts and contributions towards ITC's corporate goals:

Diane Chicheluk
Joe Begin
Dragomir Kojic
Danny Fredette
Gordon Pizey
Betty Dearth
Shawna Levesque
Tim Peters
Stephen McKendry-Smith
Lincoln M. Oree
Dale Kellington
Dennis Deley
Vivian Sullivan
Judy Quinton

ITC staff collectively bring the necessary technical and practical skills to provide clients with the high service level required. Staff who have a broader range of general skills support and complement those with highly specialized expertise.

A listing of staff including their professional designations is given in Appendix 2.

"Continuous learning is a key element for long-term organizational growth"

2.1 Background

"In the past few months, Namasco has exclusively used the services provided by ITC for material testing. Please allow me to thank you for your courteous service and expertise in handling all inquiries.

With the unsurpassed services you provide, both in material testing and assistance with technical information, your company has been able to help Namasco Ltd. achieve our goal of customer satisfaction.

Your continued efforts are very much appreciated."

Jerome Timmerman, Namasco Ltd.

ITC plays an important economic development role in Manitoba by providing both technical advice and assistance and fee for service activities to Manitoba industry, entrepreneurs, and government departments and agencies. Fee for service projects can involve new product design, testing of new or existing products, or manufacturing prototypes for testing. The successful introduction of new products or the resolution of a technical problem with an existing product helps companies generate sales and create jobs.

IT&M supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using customer surveys which focus on in-depth interviews with representative clients.

Performance Areas and Goals

Economic Development
- To support and contribute to economic development in Manitoba

Financial
- To achieve long-term economic viability

Customer
- To sustain and enhance client relationships by providing high quality, valued technical services

Internal Business Processes
- To identify and apply appropriate technologies

Learning and Growth
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

2.2 Performance

"I wanted to thank ITC staff for the excellent job you did in supplying information concerning our request to synthesize an agricultural/botanical compound. We found the material very helpful."

Randy Mason, Entrepreneur

Economic Development

The following impacts were reported by ITC clients in FY 2000/2001:

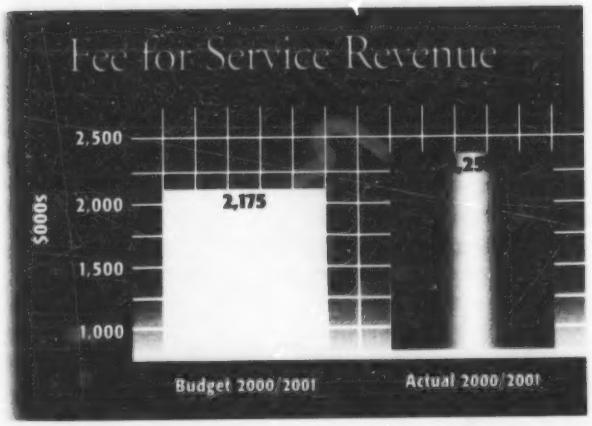
Category	Impact of ITC Services
New Jobs Created	23
Jobs Saved/Maintained	115
Sales Increase	$2,300,000
Cost Savings Identified	$38,000
Investment Increases	> $35,000,000
Impacts of ITC on Client Business Functions	**All 52 respondents identified that ITC had a major impact on business operations.**

These impacts have been compiled from results of surveys, which were based on a small sample of all ITC clients. No attempt has been made to extrapolate results for ITC's entire client base.

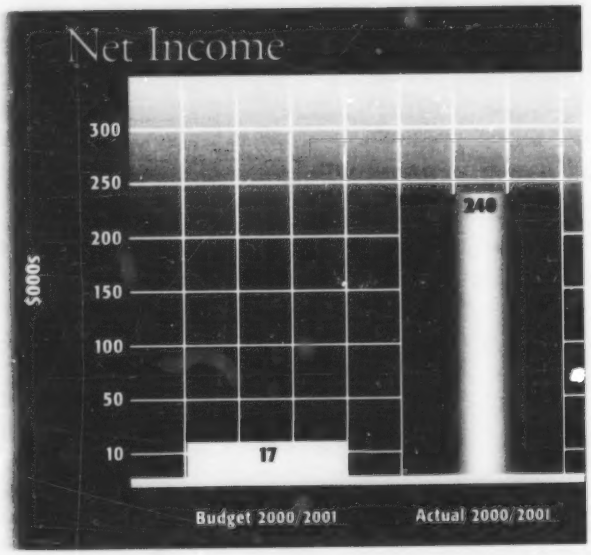
Financial

Fee for service revenue was $80K over budget.

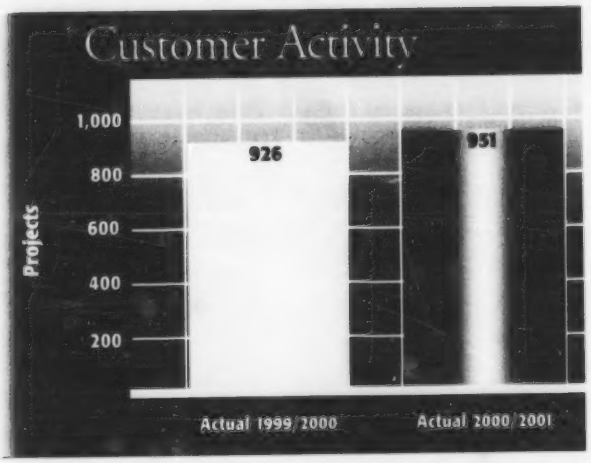
Fee for service revenue for the year ended March 31, 2001 was $2,255K compared to $2,165K in the prior year, or an increase of $90K.



ITC's net income for the year ended March 31, 2001 was $223K over budget.



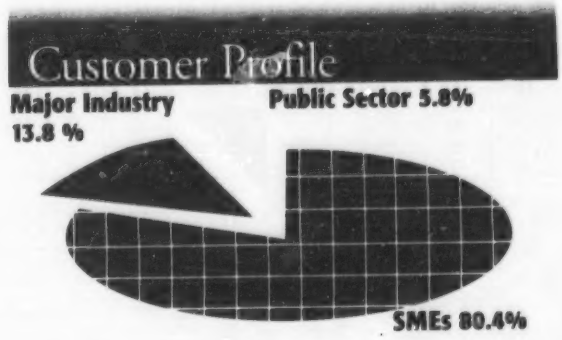
ITC undertook 25 more customer projects than in the prior year.



Customer

Surveys indicated that 94% of clients were satisfied with ITC's services. The average level of satisfaction for ITC clients was 8.5, on a scale of 1 to 10. Results show that ITC builds long lasting, strong relationships with individuals and businesses.

ITC's customer base consists of the following:



SMEs (small and medium-sized enterprises) include manufacturers with under 50 employees, consulting engineers, small service organizations and individual entrepreneurs.

Internal Business Processes

ITC underwent an organization-wide audit by KPMG and achieved ISO 9001 registration in May 2000. ITC's Quality policy is as follows:

"The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

An assessment audit for certification of the calibration laboratory was undertaken by the Calibration Laboratory Assessment Service (CLAS) in October 2000; accreditation is pending. Information systems have been evaluated and improvements were implemented during FY 2000/2001.

"I would like to take this opportunity to sincerely thank the Industrial Research Assistance Program for all that it has done for me during the past four years. I think that this program is of great benefit to both the small business sector and to the university graduate community."

Keith Porter, Mid-Canada Hydroseeding

Learning and Growth

ITC's Work Environment Committee has conducted a staff survey and reports a positive work environment with good communication and high morale. The committee also made suggestions for additional improvements, which have been implemented or are under evaluation.

ITC continues to encourage and support staff training and development congruent with corporate and personal goals. In order to match and develop employee skills to meet specific service needs, ITC has implemented a training plan as part of its ISO 9001 Quality System.

2.3 SOA Effectiveness Evaluation

In FY 1999/2000, ITC underwent an effectiveness evaluation conducted by Internal Audit & Consulting Services (IA&CS). The results of the evaluation were very positive in all areas. ITC management addressed specific opportunities for improvement during FY 2000/2001.

2.4 Outlook

"IRAP enabled us to focus on adding in-house capabilities. They helped us get through the growing pains of starting our own engineering department and getting into the actual manufacturing of equipment."

Mathew Desjarlais, Gateway Bookbinding Systems Ltd.

ITC has now completed its fifth year of operation as an SOA. The financial success achieved has provided ITC the opportunity to invest in new technologies that enhance services to a wide range of industries. Calibration services are being offered to potential clients in Alberta and Saskatchewan. The recent introduction of portable and fixed coordinate measurement technologies has broadened ITC's capabilities to support companies with quality assurance services. ITC has also expanded its capabilities through the acquisition of, and training in, noise modelling software (SoundPLAN).

ITC has reviewed all internal operational and administration procedures and has achieved ISO 9001 registration. ITC has passed the Standards Council of Canada (SCC) biennial assessment audit, resulting in continued SCC accreditation for specific mechanical tests. In addition, an assessment audit for certification of the calibration laboratory has been undertaken by the Calibration Laboratory Assessment Service (CLAS). The results of this assessment were positive and certification is in process.

ITC will assess the impact of the National Research Council's (NRC's) intention to revise its delivery mechanism for the Industrial Research Assistance Program (IRAP). ITC will work with the NRC to identify future opportunities to collaborate on manufacturing initiatives.

As part of its goal of introducing new technologies to Manitoba, ITC will be establishing a Virtual Reality Centre (VRC) early in FY 2001/2002. This joint Provincial/Federal investment will give Manitoba manufacturers access to leading edge technology. The use of advanced product visualization and prototyping techniques will help manufacturers improve their competitiveness.

These examples serve to demonstrate ITC's continued commitment to provide high quality, cost-effective technology-based services to support economic development in Manitoba. The ongoing review of all aspects of our service delivery and performance will ensure that ITC continues to meet or exceed its goals. An economic impact study conducted in the fall of 2000 indicates that ITC continues to make a significant contribution towards the success of its clients.

At the completion of this fiscal year, we continue the challenge to optimize efficiency and effectiveness, while reducing reliance on the Province. To achieve its mandate, ITC must continue to reinvest in new technologies that will help local manufacturers achieve world-class competitiveness.

Project Highlights

A sample of the impact that ITC has made in the following sectors during FY 2000/2001:

Manufacturing

ITC has been accepted as a preferred inspection and testing supplier for a local bus manufacturer. ITC will perform the client's, and their suppliers', required inspection and testing as part of their quality assurance systems.

Utilized the FaroArm to perform on-site inspection of a chassis for an electric car. Measured the frame assembly to ensure compliance with production drawings.

Performed window testing to qualify new prototypes and designs of windows utilized by Winnipeg bus manufacturers.

Upgraded the environmental chamber for a client who manufactures microwave transmitters/receivers. Installed new hardware and software that will enable data acquisition and control.

Evaluated suppliers of brake and suspension components for a Manitoba bus manufacturer.

A Winnipeg printing company used ITC's library services to learn more about pigment grinding, processing, and dispersion technology for inks.

ITC's library acquired information to meet demands in two new areas: fuel cell technologies and lean manufacturing. Government and private sector concerns regarding fuel prices and environmental issues have created a demand for information on fuel cell technologies. New manufacturing systems and the desire for increased productivity and lower costs have sparked interest in lean manufacturing.

Conducted literature and patent searches on plastic coatings, agricultural implements, environmental issues, metal alloy processing, robotics, 3D technology and fuel cell technology.

Designed and built a furniture test fixture for a Manitoba manufacturer, which enables continuous testing resulting in more rapid turnaround time in the production process. The company is now able to perform in-house testing, which was previously undertaken in the U.S.

Developed a test fixture which will enable a Manitoba bus manufacturer to analyze and determine the suitability of a number of commercially available belt tensioners. This fixture will enable our client to meet the technical requirements of one of their customers, and help preserve export sales.

Aerospace

Measured the surface of a fuselage panel for an aerospace supplier utilizing the FaroArm. Created a digitized surface for the production of tooling.

Evaluated a noise problem in the engine test cell for a local aerospace company.

Assisted a refurbisher of aero engines by conducting shock and vibration tests of an electronic engine monitoring package. These tests were needed to demonstrate that the addition of the package to the engine would not compromise its airworthiness.

Performed vibration analysis for an aerospace client to identify faulty components, thereby reducing re-work requirements.

Calibrated various items including: gauge blocks, torque wrenches, threaded ring gauges, dial indicators and threaded plug gauges.

Utilities

Completed the qualification tests on prototype and production bushings for the refurbishment of spacer dampers on an HVDC (High Voltage Direct Current) transmission line.

Performed strength tests of insulators manufactured by a local company. This product is used by utility companies across Canada and the U.S.

Developed a method for testing fatigue in an overhead ground wire of a utility transmission line. This method used data acquisition and allowed the automated collection of a variety of parameters (including wind and temperature) from three remote sites in Manitoba.

Used noise propagation modelling and acoustic intensity measurements to optimize the design of a noise barrier for a transformer substation.

Transportation

Conducted a noise/vibration control study to recommend a solution for a noise problem at a transportation facility.

Recommended a solution to a small trucking company on how to avoid fatigue of wheel hub bolts.

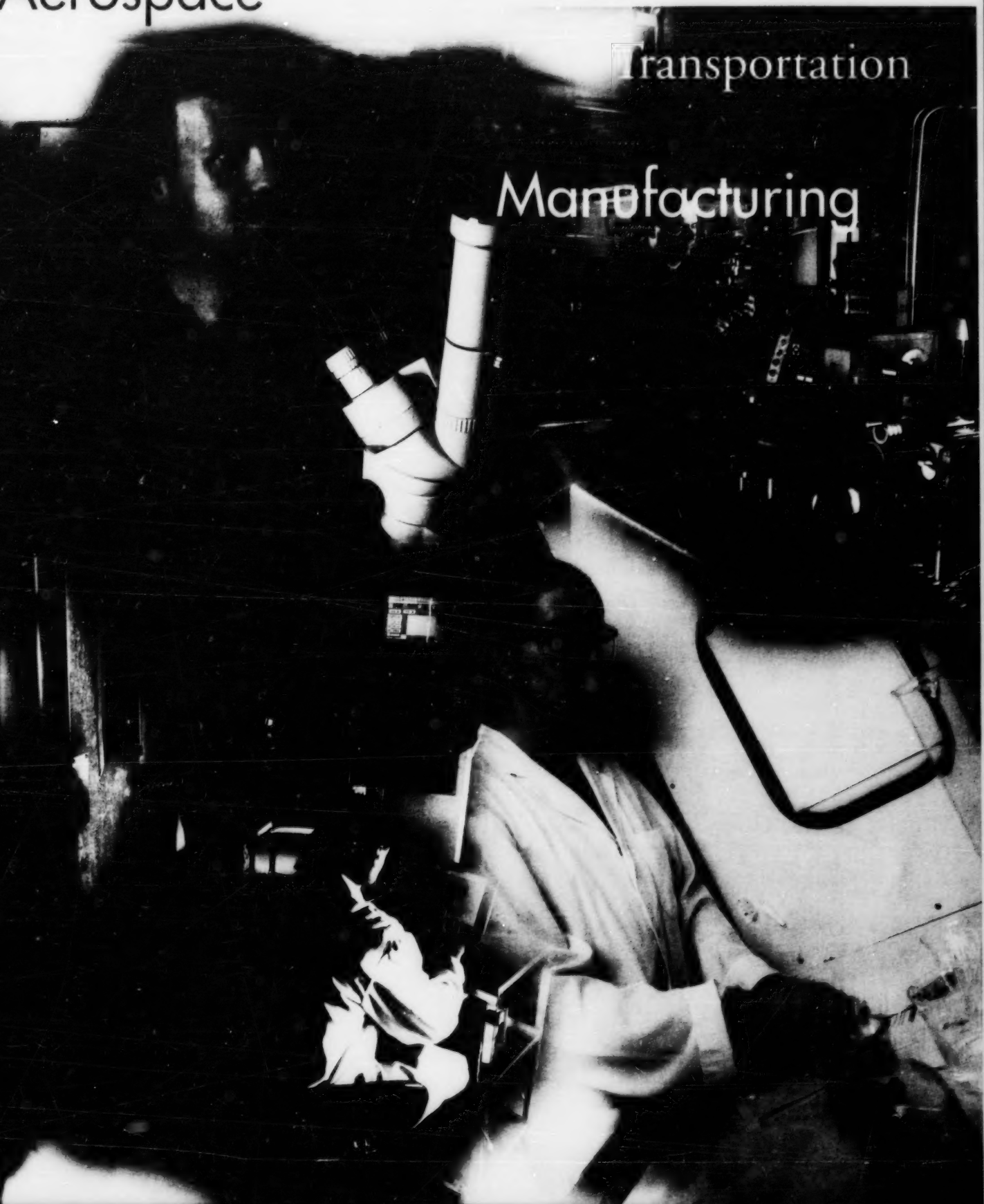
Calibration of specialized items including: calipers, master rings, plain and threaded rings, and plug gauges.

Agriculture & Resource Industries

Aerospace

Transportation

Manufacturing



Agriculture and Resources

Assisted a food processor in assessing the impact of a novel processing adaptation, and helped establish the in-house capability to take on some of this review work and to further develop the company's innovation capability.

Conducted fatigue testing of welded cylinders to determine which weld is best suited for front end loader buckets. This test was conducted for a local manufacturer of farm implements.

Conducted cement bag tests for a Manitoba paper product manufacturer to test strength characteristics of the product, to enable export to the U.S. market.

Performed on-site inspection of a welding fixture (for a Manitoba farm implement manufacturer) using the FaroArm. This demonstration of portable CMM capability may lead to this manufacturer adopting a new technology.

Provided up-to-date information on opti... drying parameters so that a Winnipeg ... pasta producer can improve and aute... control of its drying process.

Analyzed structural vibration caused by ... cleaning machine to assess whether levels ... within acceptable limits.

Assisted a client to monitor hay moisture levels using a computer and other hardware. Provided suggestions on the design of a facility to dry a truckload of hay.

Participated in Manito... in Virden. In addition, IRAP pr... sponsorship for a speaker at the even...

Chaired a National ... Food Sector Group having responsibility for p... and implementing a ... nicals extraction technologies wo... op to be held in Saskatoon.

Active on an ad hoc committee working on a nutraceuticals workshop for Manitoba Industry.

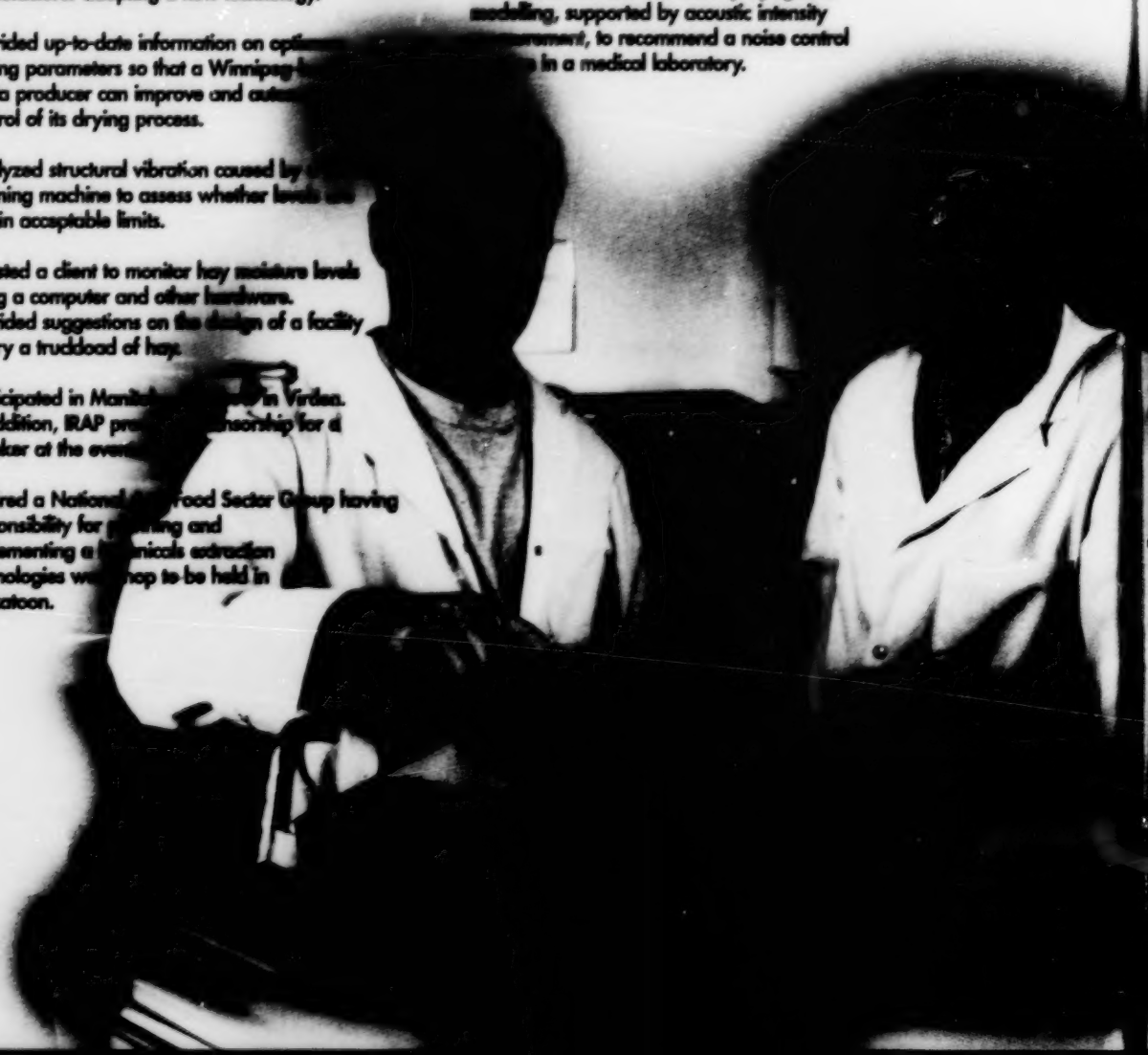
Identified a machining problem in the engine cylinder block for a manufacturer of agricultural equipment.

Public Sector

Applied data acquisition in the field of diabetes research. Enabled the automated in vivo analysis of blood glucose in rats, measuring the effects of various levels of insulin and drug injections.

Performed vibration measurement testing to ensure the safety of the Winnipeg aqueduct from the effects of pile driving during the stabilization of the Seine riverbank.

Used advanced acoustic noise propagation modelling, supported by acoustic intensity ...surement, to recommend a noise control ... in a medical laboratory.



3. Financial Results ($000s)

Reliance on the Province of Manitoba was reduced from FY 1999/2000 to 2000/2001. At the same time ITC achieved an operating surplus of $240.

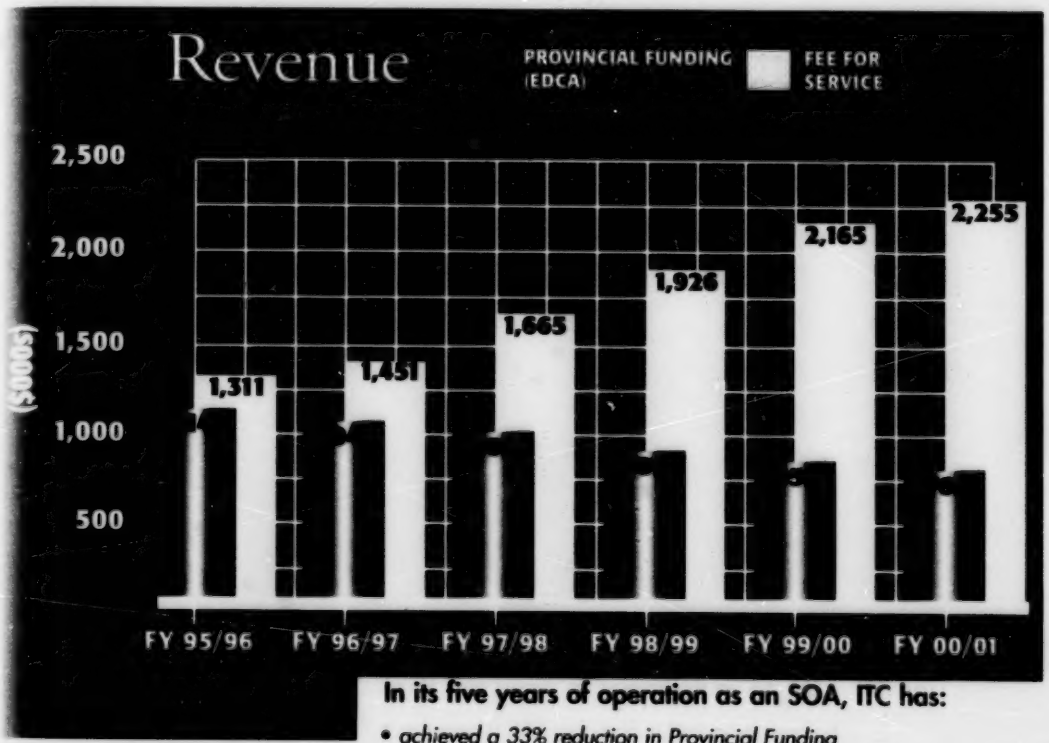
	2000/2001	1999/2000	Variance
Revenue			
Province of Manitoba	765	851	(86)
Fee for service	2,255	2,165	90
Other	65	44	21
Expenses			
Salaries and benefits	1,911	1,811	100
Other expenses	934	927	7
Net income	**240**	**322**	**(82)**

The increase in fee for service revenue ($90) can be attributed to Engineering ($49) and Document Examination Services ($34). Document Examination Services enjoyed a record year in FY 2000/2001 by providing more service to established clients.

ITC was able to maintain investment in technical infrastructure and professional development, while at the same time controlling operating costs.

Salaries and benefits increased by $100 arising primarily from Document Examination Services in response to an increased level of activity.

The results given in this annual report for FY 2000/2001 clearly indicate that ITC has continued to demonstrate sound financial management and a business-like approach to meeting client needs. ITC has also achieved recognition for the value and impact of its economic development activities. With the continued support of all stake-holders, ITC will meet the challenges resulting from an ever-changing business environment.



In its five years of operation as an SOA, ITC has:

- *achieved a 33% reduction in Provincial Funding*
- *achieved a 72% increase in Fee for Service Revenue*

Management Report

June 30, 2001

For the year ended March 31, 2001

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 14, 2001.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services

May 14, 2001

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of the Industrial Technology Centre as at March 31, 2001 and the statement of earnings and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2001 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Scarrow & Donald

Scarrow & Donald
Chartered Accountants

Balance Sheet — As at March 31, 2001

(In Thousands)	**2001**	2000
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (Note 3)	$ 869	$ 671
Accounts receivable	1,063	182
Prepaid expenses	20	22
	1,952	875
Due from Province of Manitoba (Note 5)	103	103
Capital assets (Notes 2 and 4)	418	407
	$ 2,473	$ 1,385
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 1,111	$ 272
Severance liability (Note 5)	138	129
	1,249	401
Equity		
Contributed Equity (Note 6)	62	62
Retained Earnings	1,162	922
	1,224	984
	$ 2,473	$ 1,385

The accompanying notes are an integral part of these financial statements.

Statement of Earnings and Retained Earnings — For the year ended March 31, 2001

(In Thousands)	**2001**	2000
Revenue		
Province of Manitoba	$ 765	$ 851
Fee for service	2,255	2,165
Other	65	44
	3,085	3,060
Operating expenses		
Advertising and promotion	73	77
Advisory Board	1	6
Amortization	111	104
Audit and legal	15	8
Bad debts	1	2
Building maintenance and repair	50	80
Computer	73	51
Equipment rental, maintenance and repair	28	44
Fees and memberships	45	16
Heat and utilities	33	29
Insurance	25	18
Laboratory supplies	63	64
Library operations	23	27
Loss on disposal of capital assets	-	9
Office, delivery and telephone	70	86
Professional development	80	84
Purchased services	45	41
Rent and property tax	111	110
Salaries and benefits	1,911	1,811
Travel	87	71
	2,845	2,738
Net earnings	240	322
Retained earnings at beginning of period	922	600
Retained earnings at end of period	$ 1,162	$ 922

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow — For the year ended March 31, 2001

(In Thousands)	**2001**	2000
Cash derived from (applied to):		
Operating activities		
Net earnings	$ 240	$ 322
Items not involving cash		
Amortization	111	104
Loss on disposal of capital assets	-	9
	351	435
Changes in non-cash working capital balances		
Accounts receivable	(881)	182
Prepaid expenses	2	(3)
Accounts payable and accrued liabilities	789	(122)
	261	492
Investing activities		
Acquisition of capital assets	(63)	(138)
Net increase in cash	198	354
Cash at beginning of period	671	317
Cash at end of period	$ 869	$ 671
Interest revenue included in cash flow from operating activities	$ 37	$ 26

The accompanying notes are an integral part of these financial statements.

(In Thousands)

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors. ITC also partners with the National Research Council for delivery of the "Industrial Research Assistance Program" in Manitoba.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Industry, Trade and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations and has access to a working capital loan. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Industry, Trade and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Industry, Trade and Mines defines expected public policy benefits generated from ITC's operations.

ITC is bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet its business objectives.

2. Significant Accounting Policies

Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line

(In Thousands)

3. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2001 working capital advances were nil (2000 – nil). The line bears interest at the prime rate and is not secured by specific assets.

4. Capital Assets

	2001		2000	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	$ 4	$ 1	$ 4	$ -
Office and laboratory equipment	490	194	414	138
Computer equipment and software	299	180	253	126
	$ 793	**$ 375**	**$ 671**	**$ 264**
Net book value	**$ 418**		**$ 407**	

5. Severance Pay Benefits

Effective April 1, 1998, ITC began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by ITC's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $103 was completely offset by a receivable from the Province. There are no terms of repayment of this receivable, and the amount will remain fixed.

An actuarial valuation report of ITC's severance as at March 31, 2000 was recently completed. The report provides a formula to update the liability on an annual basis. In accordance with the formula, ITC's actuarial liability has been calculated to be $138 as at March 31, 2001. In addition, the liability as at March 31, 2000 was changed to $129 and the receivable from the Province was changed to $103 as a result of the actuarial evaluation.

6. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

(In Thousands)

7. Commitment

The Agency has entered into a lease agreement for rental of the facilities at 1329 Niakwa Road East, Winnipeg, Manitoba. The lease, expiring on March 31, 2005, requires future lease payments as follows:

2002	$ 84
2003	$ 84
2004	$ 91
2005	$ 91

This lease agreement may be terminated on March 31, 2003 or March 31, 2004, at ITC's option.

8. Pension Liability

In accordance with the provisions of The Civil Service Superannuation Act, employees of ITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. ITC matches the employees' contributions to the Fund. Under this Act, ITC has no further pension liability.

9. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

10. Public Sector Compensation

Pursuant to The Public Sector Compensation Disclosure Act, the following employees of ITC have received compensation of $50 or more, including benefits and severance payments, in the year ended March 31, 2001.

		2001	2000
Begin, J.	Engineer 5	$ 70	$ 69
Boskwick, W.	Eco. Dev. Consultant 3	62	61
Cattani, J.	Eco. Dev. Consultant 3	59	58
Cornell, T.	Executive Officer 1	88	85
de Graaf, P.	Eco. Dev. Consultant 3	62	61
Deley, D.	Eco. Dev. Consultant 4	63	61
Herwig, W.	Eco. Dev. Consultant 4	70	69
Olafson, D.	Financial Officer 6	59	56
Persad, K.	Eco. Dev. Consultant 3	62	61
Pizey, G.	Engineer 4	62	61
Pozzobon, G.	Engineer 3	56	55
St. Jean, D.	Eco. Dev. Consultant 4	58	n/a
Sullivan, V.	Eco. Dev. Consultant 4	63	61

Budget Analysis (Appendix 1)

Operating Results

Operating Results
($000s)

	2000/2001 Actual	2000/2001 Budget	Variance
Revenue			
Province of Manitoba	$ 765	$ 765	$ -
Fee for service	2,255	2,175	80
Other	65	25	40
Expenses			
Salaries and benefits	1,911	1,982	(71)
Other expenses	934	966	(32)
Net income	**$ 240**	**$ 17**	**$ 223**

Fee for service contracts exceeded budget by $80, primarily due to Document Examination Services. Activity in this area was higher than expected resulting from delivering more service to established clients.

Other revenue exceeded budget by $40, which reflects an increase in interest income over the previous year.

Salaries and benefits were lower than budget primarily due to vacancies in the planned staff complement. This effect was partially offset by the utilization of casual staffing during the year.

Operating Results

ITC enjoyed a record year in fee for service revenue during FY 2000/2001. While experiencing this increased level of activity, ITC was able to continue its investment in technical infrastructure and professional development, and at the same time control overall operating costs.

Expenses ($000s)	2000/2001 Actual	2000/2001 Budget	Variance
Advertising and promotion	$ 73	$ 75	$ (2)
Advisory Board	1	4	(3)
Amortization	111	133	(22)
Audit and legal	15	8	7
Bad debts	1	14	(13)
Building maintenance and repair	50	40	10
Computer	73	90	(17)
Equipment rental, maintenance and repair	28	32	(4)
Fees and memberships	45	37	8
Heat and utilities	33	32	1
Insurance	25	15	10
Laboratory supplies	63	73	(10)
Library operations	23	28	(5)
Office, delivery and telephone	70	72	(2)
Professional development	80	74	6
Purchased services	45	48	(3)
Rent and property tax	111	111	-
Travel	87	80	7
Total	**$ 934**	**$ 966**	**$ (32)**

ITC Staff as at March 31, 2001 (Appendix 2)

Joe Begin, B.Sc. (A.E.), M.Eng., P.Eng.
William Boskwick, C.E.T.
Joe Cattani, B.Sc.
Diane Chicheluk, University
Trevor Cornell, B.Sc. (Hons., M.E.), C.Eng., P.Eng.
Betty Dearth, M.I.L.S.
Pete de Graaf, B.Sc. (M.E.), P.Eng.
Dennis Deley, B.Sc. (M.E.), P.Eng.
Britta Doumbia-Haug, M.Sc., M.C.I.C.
Danny Fredette, Journeyman Machinist
Sandra Graff, High School
Wolfgang Herwig, B.Sc. (M.E.), P.Eng.
Dale Kellington, B.Sc.
Brad Kempf, High School
Dragomir Kojic, C.E.T.
Shawna Levesque, Community College
Stephen McKendry-Smith, Dip. Biological Tech.
Tim Mitchell, B.Sc. (M.E.), P.Eng.
Paul Newsham, B.Sc. (M.E.), E.I.T.
David Olafson, B.Sc., B. Comm. (Hons.), C.G.A.
Lincoln Oree, C.E.T.
Khemraj (Kim) Persad, B.Sc. (E.E.), P.Eng.
Tim Peters, University
Gord Pizey, B.Sc. (M.E.), M.Sc, P.Eng.
Gerry Pozzobon, B.Sc. (M.E.), M.Sc, P.Eng.
Judy Quinton, B.Sc. (Hons.)
Sharon Ratushniak, Community College
Tony Robak, Community College
David Russell, C.E.T.
David St. Jean, Certificate of Management Studies
Vivian Sullivan, B.Sc. (Agriculture), P.Ag.
Nigel Wooler, Winnipeg Technical College

Advisory Board (Appendix 3)

Hugh Eliasson
(Chairperson)
Deputy Minister
Industry, Trade and Mines
352 Legislative Building
Winnipeg, Manitoba R3C 0V8

Al MacAtavish
Manitoba Hydro (retired)
P.O. Box 127J, RR5
Winnipeg, Manitoba R2C 2Z2

Paul Soubry
Chair, Board of Governors,
University of Manitoba;
Chair, Victoria Hospital; and
President, Soubry Enterprises Ltd.
63 Ridgedale Crescent
Winnipeg, Manitoba R3R 0B2

Ed Van Humbeck
President
Vansco Electronics Ltd.
1305 Clarence Avenue
Winnipeg, Manitoba R3T 1T4

Trevor Cornell
Chief Operating Officer
Industrial Technology Centre
Unit 12 -1329 Niakwa Road East
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Stephen McKendry-Smith
(Staff Representative)
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